

# **The Impact of Modern Information Technology on the Development of Bidding Agency**

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**Abstract:** the article start from analyzing bidding agency belongs to the intermediary organization which will promote to reduce transaction costs, propose the bidding agency service level, pointing out the path to improve service level shall rely on the modern information technology, combined with the practice of bidding information in the author's unit for many years, overall stating many benefits brought by the whole process of online bidding to bidding agency. At last, it proposes the tendering agency shall respond to the challenges of informatization and gain the initiative position as soon as possible.

**Keywords:** transaction costs, intermediary service, informatization, the whole process online bidding

## **1. Properties of the bidding agency: intermediary organization to promote the trading**

Professor Wu Jinglian, Famous economists, Researcher of China's State Council Development and Research Center, said: "to reduce production costs deepening the division of labor is necessary. The more the division of labor is deepening, the lower the cost of production will be and the more frequent the trading followed by will be, and the more the resource will be invested into trading, increasing transaction costs, then who will promote the trading? It's the services industry, the initial function of the service industry is to provide infrastructure for market transaction. Under market economy, if market transactions want to carry out smoothly, an infrastructure is necessary, simply as transportation, relatively complex as the financial system, clearing system, investment and financing system; additionally there are lawyers, accountants and other intermediary services. Under market economy, for both sides of the transaction should not know each other before the transaction, therefore they may need to seek the person or organization on the middle ground with certain quality to provide guarantees and other services on the economy or credit for transactions in order to facilitate the transaction to go smoothly. Person or organization who provides such service is the intermediary. The bidding mechanism is an internationally recognized effective method of market economy resource allocation, which has been widely applied in the B2B field of market economy countries at present. Standardized bidding behavior is in favor of the transaction. According to the provisions of Article 13 of the Bidding Law of the People's Republic of China: "The tendering agency is the social intermediary organization established by law to engage in bidding agency business and to provide related services." Therefore, the

tendering agency engaged in the bidding agency business is one kind of intermediary organizations to provide infrastructure for market transaction, that is the tendering agency is such an intermediary: which entrusted by the tenderee, giving the consideration to the needs of the bidder and the tenderee both sides, on the basis of in compliance with the regulations of bidding and the relevant laws and regulations through its own professional services, to help both sides to improve the symmetry level of the transaction information, and eventually contribute to the transaction.

## **2. The bidding agency shall provide three levels of service**

According to the customers' demand level, the tendering agency services can be divided into three levels according to the depth:

(1) In accordance with international rules, conventions and Chinese laws and regulations, providing customers with procedure services strictly based on the regulation, which is usually considered as providing procedural, processed operation. Under the traditional paper tendering procedures at present, large procedural, processed operation has occupied the main focus of business staff in the vast majority of domestic bidding agency.

(2) Entering into the procurement process, providing customers with personalized pre-planning, potential bidder analysis, the tender documents (including technical bidding documents) compilation, assisting in signing the contract, contract performance tracking, rear evaluation on the successful bidder and other professional services. Customized professional services scheme is the special skill and vitality of the bidding agency, the level reflects the differentiation of the bidding agency services. The existing tendering agencies are hard to achieve this level, because a great number of time and energy is occupied by the procedural work under the traditional paper-based tendering method.

(3) Entering into the management processes, providing customers with the procurement method plan, tendering management and control mode and system sorting and other management consulting services. The level is the highest level of tendering service, such as McKinsey, AT Kearney, Roland Berger as the management consultant, providing professional management consulting in the bidding field, which requires service providers shall not only be proficient in the tender business, but also be familiar with the value chain, supply chain management and other management theory and practice.

The difficulty of the above three levels of tendering agency service increases step by step and the requirements on tender practitioners also increase step by step. This is necessary to play the role of human resource and knowledge and skills, in a word, that is, to play the role of informatization. By now in China there are part of the tendering agency are able to provide the second level even third level of service.

## **3. Modern information technology promoting tendering agency to improve service levels and enhance competitiveness**

As deputy director of National informatization expert advisory committee, Mr Wu Jinglian said: "the main source of modern economic growth is widely application of science and technology, rapid development of the service sector, as well as transformation on the various departments by modern information and communication technologies; The main role of IT is to deal with transaction costs, that is to reduce transaction costs and improve transaction efficiency "; the basic content of transaction costs is the cost of information, while the modern information communication technology is to directly deal with information. It can transform various departments to help all works of life to reduce information costs, thereby enhancing the effectiveness of the entire national economy. " In terms of the bidding activities, to reduce the transaction costs of bidding, and improve the efficiency of the bidding, the tendering agency shall improve service level, relying on the tight combination of IT and bidding activity, to realize the informatization of the bidding activity, that is to promote the implementation of electronic bidding.

The author's unit ---- Shanghai Baohua International Tendering Co., Ltd. has begun to explore the tendering business informatization construction from 2003, and in 2008 realized the whole process of online bidding. From four years of continuous practice with over 2300 whole process of online bidding projects: the implementation of electronic bidding by network communication technology and other modern information technology will bring tendering agency the following benefits:

(1)Greatly improving efficiency, and promoting the enhancement of service level. The original numerous basic, procedural works are completed by the computer system, such as the bid opening section generally need at least half an hour originally, which now just need a few minutes. The time of tender document compilation, bid evaluation, archiving, information inquiries and other sections will also greatly shortened. By estimates, after the implementation of electronic bidding, compared with traditional paper-based tendering, each tendering project can save nearly 60 man-hours by average. What will we do with the time saved? Market development, understanding of the owners' requirements, supply market research, tendering documents planning and other important works will be focused on, which can spare energy to carry out the aforementioned second-level professional service.

(2)Greatly improving the degree of knowledge sharing, and promoting the overall upgrading of the business level. All information are recorded in the system, which can be inquired in real-time online. There is no need to check the bidding information in the warehouse and hardly to lose. Electronic bidding is conducive to make tacit knowledge explicit, and facilitate the flow of knowledge, promoting the overall upgrade of the bidding agency business level.

(3)Fully implementing the regulatory requirements. the management requirements of managers of the tendering agency on subordinate will realize through the electronic bidding system, with mutual restraint of the procedure before and after: the tender documents shall be made according to the format requirements of the tender documents; without the completion of the previous process, the next work cannot be started, which can effectively prevent the staff free operation.

(4)Increasing the profits of the bidding agency. As informatization has greatly improved efficiency, promoting the upgrading of the knowledge level and operational capacity of the bidding agency business staff, thereby enhancing customer satisfaction, promote and consolidate and improve the market share. Under traditional paper tendering, such as one salesman could take turns only for three to four tendering projects while under the electronic bidding he can do five to six tendering projects, increasing income for the tendering agency; electronic bidding can also lower the operating costs of the bidding agency: the time of each bidding activities section shorten, which will pay less venue rental fees for the bid opening, bid evaluation, less payment or non-payment of printing costs of the tendering document. According to statistics, the cumulative bidding transaction costs can be reduced to 27,300 yuan / per section.

(5)Practicing the corporate social responsibility and enhancing the social image of the tendering agency. For electronic bidding can achieve whole process paperless bidding activities, completing bidding activities within doors, saving paper and energy consumption, reducing tree felling, oil and gas exploiting and carbon emissions, realizing green procurement, contributing to the construction of resource-saving, environment-friendly society; electronic bidding also improves the transparency of the procurement, and increase the opportunity for various bidders to participate in fair competition, contributing to achieve further social fairness and justice, which further enhance the social image of the bidding agency.

Compared with other business, bidding business has more prerequisite for the implementation of informatization: for the basic business process of the bidding is statutory regulated, the main bidding documents have also formed the standard document or template. Of course, promoting the application of electronic bidding requires the business staff of bidding agency, especially the top leader need to break through traditional thinking, and change the traditional habits: to enhance the solidification, refinement and optimization of the internal business processes, taking the initiative to approve document and obtain information in the electronic bidding system, and guide the tenderer to take common concern on the tendering pre-planning.

In short, modern information technology will bring many benefits for bidding agency, electronic bidding can help tendering agency enhancing their competitiveness. There are many countries, regions and companies have done well in the electronic bidding, and the Asian Development Bank procurement guidelines also clearly recognized electronic bidding; parts of domestic region and companies have also explored for many years, accumulating certain experience. Electronic bidding is the general trend, various tendering agencies shall actively respond to the challenges of informatization, the attitude that “early is better than late” shall be take on electronic bidding, and access to leading position in market competition, at least initiate to carry out the electronic bidding on the project of electromechanical products international bidding, cargo domestic tendering and service bidding with advanced government oversight and construction without on site transaction in advance. Since external conditions have improved than ever: mature electronic bidding software and services model available in the market will not cost tens of million yuan any more, known by the author, it is

said to spend tens of thousands yuan or even free for the tendering agency; the issued "Bidding Law implementing regulations" clearly state:" The state encourages to use information networks for electronic bidding; the National Development and Reform Commission is stepping up efforts to establish "electronic bidding regulation and relevant technical specifications, which is expected to be promulgated and implemented before the end of the year by the relevant departments under the State Council, and provide the healthy development for the electronic bidding system.

Conclusion: as the intermediary organization to promote trade, the tendering agency shall continue to improve service level, reduce transaction costs, we must rely on modern information technology, firmly seize the development opportunities of the electronic bidding, and act first, benefit first. It can be predicted that the electronic bidding will bring the new undertaking opportunity and the second round of growth opportunity for the leading tendering agency in the field, for those tendering agency who pay no attention to or indifferent to the electronic bidding will face the threat of being eliminated.